

CITY OF RICHMOND

Richmond, Kansas

**FINANCIAL STATEMENT
AND
INDEPENDENT AUDITOR'S REPORT**

December 31, 2015

CITY OF RICHMOND

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Richmond
Richmond, Kansas

Report on the Financial Statement

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Richmond, Kansas, as of and for the year ended December 31, 2015 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note C; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note C of the financial statement, the financial statement is prepared by the City of Richmond, Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note C and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis of Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of City of Richmond, Kansas as of December 31, 2015, or changes in financial position and cash flows thereof for the year then ended.



Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Richmond, Kansas as of December 31, 2015, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note C.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditure-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, and schedule of regulatory basis receipts and expenditures-agency funds (Schedules 1, 2 and 3 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note C.

Prior Year Comparative

The 2014 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2015 basic financial statement upon which we have rendered an unmodified opinion dated July 14, 2016. The 2014 basic financial statement and our accompanying report are not presented herein, but available in electronic form from the web site of the Kansas Department of Administration at the following link, <http://admin.ks.gov/offices/chief-financial-officer/municipal-services>. Such 2014 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used into prepare the 2014 basic financial statement. The 2014 comparative information was subjected to the auditing procedures applied in the audit of the 2014 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2014 basic financial statement or to the basic financial statements itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2014 comparative information is fairly stated in all material respects in relation to the 2014 basic financial statement as a whole, on the basis of accounting described in Note C.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2016, on our consideration of the City of Richmond, Kansas internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Richmond, Kansas internal control over financial reporting and compliance.



Agler & Gaeddert, Chartered
Ottawa, Kansas
July 14, 2016

City of Richmond, Kansas

**SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
REGULATORY BASIS
For the Year Ended December 31, 2014**

Fund	Unencumbered Cash Balance Beginning of Year	Cash Receipts
Governmental Fund Types		
General	\$ 231,340	\$ 410,518
Special Purpose Funds		
Library	0	14,659
Parks and recreation	7,488	4,869
Special highway	26,673	12,114
Fishing	2,205	1,313
Capital Improvement	75,318	37,659
Capital Project Funds		
Capital Project	461	2,193,785
Business Funds		
Water system operating account	63,386	119,538
Sewer system operating account	41,312	44,065
	<u>448,183</u>	<u>2,838,520</u>
Related Municipal Entity		
Library	2,358	38,596
Library - Capital improvement	338	26
	<u>2,696</u>	<u>38,622</u>
Total Reporting Entity	\$ <u>450,879</u>	\$ <u>2,877,142</u>

Composition of Cash:

The accompanying notes are an integral part of this statement.

Statement 1

<u>Expenditures</u>	<u>Unencumbered Cash Balance End of Year</u>	<u>Outstanding Accounts Payable and Encumbrances</u>	<u>Cash Balance End of Year</u>
\$ 374,181	\$ 267,677	\$ 6,929	\$ 274,606
14,659	0	0	0
6,640	5,717	0	5,717
935	37,852	166	38,018
1,360	2,158	0	2,158
0	112,977	0	112,977
2,366,777	(172,531)	172,992	461
88,241	94,683	3,458	98,141
36,601	48,776	1,205	49,981
<u>2,889,394</u>	<u>397,310</u>	<u>184,750</u>	<u>582,060</u>
37,635	3,319	0	3,319
0	364	0	364
<u>37,635</u>	<u>3,683</u>	<u>0</u>	<u>3,683</u>
\$ <u>2,927,029</u>	\$ <u>400,993</u>	\$ <u>184,750</u>	\$ <u>585,743</u>
Interest-bearing transaction accounts:			
City		\$	586,462
Library			<u>3,683</u>
Total reporting entity			590,145
Less agency funds			<u>(4,402)</u>
		\$	<u>585,743</u>

The accompanying notes are an integral part of this statement.

CITY OF RICHMOND

NOTES TO FINANCIAL STATEMENT

December 31, 2015

NOTE A. MUNICIPAL REPORTING ENTITY

The City of Richmond is incorporated under the laws of the State of Kansas and operates under an elected Mayor-Council form of government. This financial statement presents the City of Richmond (the municipality). Also presented in the financial statement is Library which is a related municipality entity. The Library provides library services to the area. The Library board is appointed by the City. The City appropriates and distributes tax monies to the Library.

NOTE B. REGULATORY BASIS FUND TYPES

The accounts of the City are organized and operated on the basis of funds. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The City potential could have the following types of funds.

General Fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Funds – used to account for the proceeds of specific tax levies and other specific revenues sources (other than Capital Project and tax levies for long-term debt) that are intended for specific purposes.

Bond and Interest Fund – used to account for the accumulation of resources, including tax levies, transfers from other funds and used to make payments of general long-term debt. The City did not have any bond and interest funds for the year presented.

Capital Project Fund – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business Fund – funds financed in whole or part by fees charged to users of goods or services (i.e. enterprise and internal service funds etc.).

Trust Fund – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipality reporting entity scholarship funds, etc). The City did not have any trust funds for the year presented.

Agency Fund – funds used to report assets held by the municipal reporting entity in purely a custodial capacity (payroll clearing fund, tax collection accounts, etc.).

NOTE C. BASIS OF ACCOUNTING

Regulatory Basis of Accounting and departure from Accounting Principles Generally Accepted in the United States of America - The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligations against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt assignment to a fund, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than mentioned above.

CITY OF RICHMOND

NOTES TO FINANCIAL STATEMENT

December 31, 2015

NOTE C. BASIS OF ACCOUNTING- continued

City of Richmond has approved a resolution that it is in compliance with K.S.A. 75-1120a (c) waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

NOTE D. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

Adjustment for Qualifying Budget Credits – Municipalities may use this line item for any budgeted fund. The adjustment would be a positive amount. All budget adjustments must be authorized by Kansas statutes. Examples include: expenditure of federal grant monies, gifts and donations, and receipts authorized by law to be spent as if they were reimbursed expenses.

All legal annual operating budgets are prepared using the regulatory basis of accounting in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

Spending in funds which are not subject to the legal annual operating budget requirements is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing board. The following funds are not required to have a published budget.

Capital Project

Library

Library Capital Improvement

CITY OF RICHMOND

NOTES TO FINANCIAL STATEMENT

December 31, 2015

NOTE E. DEPOSITS AND INVESTMENTS

City

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the bank to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of credit risk - State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The City has no investments.

Custodial credit risk – deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. There were no designated "peak periods" during the year. All bank deposits were legally secured at December 31, 2015.

At December 31, 2015, the carrying amount of the City's bank deposits was \$586,462 and the bank balance was \$619,071. The bank balance was held by one bank resulting in a concentration of credit risk. The difference between carrying amount and bank balance is outstanding checks and deposits. Of the bank balance, \$250,000 was covered by federal depository insurance coverage. \$369,071 was covered by pledged securities in the City's name and held at a third party bank.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments be adequately secured. The City had no such investments at year end.

Library

K.S.A. 9-1401 establishes the depositories which may be used by the Library. The statute requires banks eligible to hold the Library's funds have a main or branch bank in the county in which the Library is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the bank to pledge securities for deposits in excess of FDIC coverage. The Library has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Library's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Library has no investment policy that would further limit its investment choices.

Concentration of credit risk - State statutes place no limit on the amount the Library may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Library has no investments.

CITY OF RICHMOND

NOTES TO FINANCIAL STATEMENT

December 31, 2015

NOTE E. CASH AND INVESTMENTS - continued

Library - continued

Custodial credit risk – deposits: Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. State statutes require the Library's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. There were no designated "peak periods" during the year. All bank deposits were legally secured at December 31, 2015.

At December 31, 2015, the carrying amount of the Library's bank deposits was \$3,683 and the bank balance was \$4,156. The difference between carrying amount and bank balance is outstanding checks and deposits. Of the bank balance, \$4,156 was covered by federal depository insurance coverage.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments be adequately secured. The City had no such investments at year end.

NOTE F. INTERFUND TRANSFERS

Operating transfers were as follows:

Transfer from:	Transfer to:	Statutory Authority	Amount
General	Capital Improvement	12-1118	\$ 37,659

NOTE G. OTHER LONG-TERM OBLIGATIONS FROM OPEARTIONS

Other Post Employment Benefits: As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retiree's health insurance plan because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been qualified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

Compensated Absences: Employees of the City are entitled to paid vacation and paid sick days off, depending on job classification, length of service and other factors. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The City's policy is to recognize the costs of compensated absences when actually paid to employees.

NOTE H. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. The City participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERs issues a publically available financial report that includes financial statements and required supplementary information. KPERs' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERs website at www.kpers.org or by writing to KPERs (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

CITY OF RICHMOND

NOTES TO FINANCIAL STATEMENT

December 31, 2015

NOTE H. DEFINED BENEFIT PENSION PLAN - continued

Contributions - KSA 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015 Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2, and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 0.85% contribution rate for Death and Disability Program) and the statutory contribution rate was 9.48% for the fiscal year ended December 31, 2015. Contributions to the pension plan from the City were \$10,667 for the year ended December 31, 2015.

Net Pension Liability

At December 31, 2015, the City's proportionate share of the collective net pension liability reported to KPERS was \$86,674. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, which was rolled forward to June 30, 2015. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis accounting does not recognize long-term debt, this liability is not reported in these financial statements.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

NOTE I. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Settlement of claims has not exceeded commercial insurance coverage in any of the last three fiscal years.

NOTE J. LONG-TERM DEBT

During 2014, the City entered into a loan at a rate of 2.3% with the Kansas Department of Health and Environment for the purpose of financing a portion of the costs of the improvements for the City's public water system that was repaid in 2015 when the City issued general obligation bonds pursuant to K.S.A. 65-163u and K.S.A. 10-101 *et seq.* The total amount of the bonds issued during 2015 was \$742,000 at an interest rate of 2.625% with a final maturity date of 12/17/2055.

CITY OF RICHMOND
NOTES TO FINANCIAL STATEMENT
December 31, 2015

NOTE J. LONG-TERM DEBT - Continued

Changes in long-term liabilities for the City for the year ended December 31, 2015, were as follows:

<u>Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>		
KDHE Loan	2.65%	05/05/2014	\$ 735,616	12/03/2015		
General obligation bonds:						
Series 2015	2.625%	12/17/2015	742,000	12/17/2055		
	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Payments</u>	<u>Net Change</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
KDHE Loan	\$ 127,668	\$ 607,948	\$ 735,616	\$ (127,668)	\$ 0	\$ 13,263
General obligation bonds:						
Series 2015	0	742,000	0	0	742,000	0
	<u>\$ 127,668</u>	<u>\$ 1,349,948</u>	<u>\$ 735,616</u>	<u>\$ (127,668)</u>	<u>\$ 742,000</u>	<u>\$ 13,263</u>

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Principal:					
General obligation bonds	\$ 10,707	\$ 10,988	\$ 11,276	\$ 11,572	\$ 11,876
Interest:					
General obligation bonds	19,478	19,196	18,908	18,612	18,308
Total principal and interest	<u>\$ 30,185</u>	<u>\$ 30,184</u>	<u>\$ 30,184</u>	<u>\$ 30,184</u>	<u>\$ 30,184</u>
Principal:	<u>2021-2025</u>	<u>2026-2030</u>	<u>2031-2035</u>	<u>2036-2040</u>	<u>2041-2045</u>
General obligation bonds	\$ 64,222	\$ 73,105	\$ 83,217	\$ 94,729	\$ 107,833
Interest:					
General obligation bonds	86,699	77,816	67,703	56,191	43,088
Total principal and interest	<u>\$ 150,921</u>	<u>\$ 150,921</u>	<u>\$ 150,920</u>	<u>\$ 150,920</u>	<u>\$ 150,921</u>
Principal:	<u>2046-2050</u>	<u>2051-2055</u>	<u>Total</u>		
General obligation bonds	\$ 122,748	\$ 139,727	\$ 742,000		
Interest:					
General obligation bonds	28,172	11,193	465,364		
Total principal and interest	<u>\$ 150,920</u>	<u>\$ 150,920</u>	<u>\$ 1,207,364</u>		

CITY OF RICHMOND

NOTES TO FINANCIAL STATEMENT

December 31, 2015

NOTE K. OTHER INFORMATION

Ad Valorem Tax Revenue: The determination of assessed valuation and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser's office annually determines assessed valuation and the County Clerk spreads the annual assessment to the taxing units. One-half of the property taxes are due December 20 and distributed to the City by January 20 to finance a portion of the current year's budget. The second half is due May 20 and distributed to the City by June 5. The City draws available funds from the County Treasurer's office at designated times throughout the year.

Reimbursed Expenses: The City records reimbursable expenditures in the fund that makes the disbursement and records reimbursement as receipts in the same fund. For purposes of budgetary comparisons, the reimbursements are shown as adjustments for qualifying budget credits.

Compliance with Kansas Statutes: References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the State Director of Accounts and Reports and interpretation by the legal representative of the municipality.

The City has exceeded has negative unencumbered cash balance in the Capital Projects. The Capital Projects does have grant funds available to cover the deficit. The County is not aware of any other violations.

NOTE L. RESTATEMENT

The unencumbered cash balance beginning of year has been restated for the Capital Project Fund which was not included in the prior year financial statement. The total amount of the restatement is \$461.

NOTE M. SUBSEQUENT EVENTS

Subsequent Events: The City evaluated subsequent events through July 14, 2016, the date the financial statements were available to be issued. After December 31, 2015, but prior to the financial statement issue date it was determined that the City's water plant is in need of urgent substantial repairs. At this time there is no firm amount of the total cost of the repairs, but it is estimated to be a material amount.

**REGULATORY BASIS
SUPPLEMENTARY INFORMATION**

City of Richmond, Kansas

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
(Budgeted Funds Only)
Regulatory Basis
For the Year Ended December 31, 2015

<u>Fund</u>	<u>Certified Budget</u>	<u>Adjustments for Qualifying Budget Credits</u>
Governmental Type Funds		
General	\$ 435,067	\$ 0
Special Purpose Funds		
Library	14,659	0
Parks and recreation	8,674	0
Special highway	32,169	0
Fishing	2,727	0
Capital improvement	37,659	0
Business Funds		
Water system operating account	186,123	0
Sewer system operating account	57,455	0

See Independent Auditor's Report.

	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
\$	435,067	\$ 374,181	\$ (60,886)
	14,659	14,659	0
	8,674	6,640	(2,034)
	32,169	935	(31,234)
	2,727	1,360	(1,367)
	37,659	0	(37,659)
	186,123	88,241	(97,882)
	57,455	36,601	(20,854)

See Independent Auditor's Report.

City of Richmond, Kansas

Schedule 2a

**GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended December 31, 2015

(With comparative actual totals for the prior year ended December 31, 2014)

		2015		
	2014			Variance
	Actual	Actual	Budget	Over (Under)
Receipts				
Taxes				
Ad valorem property tax	\$ 82,773	\$ 91,274	\$ 103,487	\$ (12,213)
Back tax collections	5,898	7,907	0	7,907
Vehicle tax	15,395	16,887	12,226	4,661
RV tax	178	186	245	(59)
Sales and use tax	81,161	83,859	78,000	5,859
Franchise tax	27,382	25,252	25,000	252
Dog/cat licenses	533	405	1,500	(1,095)
Building permits	0	866	0	866
Fines and fees	345	0	500	(500)
Trash	25,363	24,973	23,000	1,973
Late charges	6,163	5,635	5,500	135
Interest	216	267	150	117
Miscellaneous	1,872	2,032	2,000	32
Reimbursements	0	150,975	0	150,975
	<u>247,279</u>	<u>410,518</u>	<u>\$ 251,608</u>	<u>\$ 158,910</u>
Total receipts				
Expenditures				
Wages & council pay	71,039	66,001	\$ 90,000	\$ (23,999)
Employee benefits	17,097	23,724	0	23,724
Office supplies & postage	5,869	7,383	0	7,383
Repairs and maintenance	4,828	5,379	0	5,379
Professional fees	0	2,000	0	2,000
Utilities	2,106	2,021	0	2,021
Cleaning	0	1,150	0	1,150
Dues and publications	0	1,134	0	1,134
Audit	5,678	5,550	0	5,550
Training	1,314	1,220	0	1,220
Contract services	5,137	152,226	111,000	41,226
Legal	5,088	2,000	0	2,000
Equipment/supplies	5,320	3,377	30,000	(26,623)
Bank charges	320	345	0	345
Miscellaneous	150	181	0	181
Insurance/bonds	11,389	23,475	0	23,475
Capital outlay	0	0	112,408	(112,408)
Street lighting	14,098	14,630	30,000	(15,370)
Trash contract	24,919	24,726	24,000	726
Transfers Out	37,659	37,659	37,659	0
	<u>212,011</u>	<u>374,181</u>	<u>\$ 435,067</u>	<u>\$ (60,886)</u>
Total expenditures				

See Independent Auditor's Report.

City of Richmond, Kansas

Schedule 2a

GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2015
(With comparative actual totals for the prior year ended December 31, 2014)

		2015		Variance Over (Under)
		2014 Actual	Actual Budget	
Receipts over (under) expenditures	\$	35,268	\$ 36,337	
Unencumbered Cash, beginning of year		<u>196,072</u>	<u>231,340</u>	
Unencumbered Cash, end of year	\$	<u>231,340</u>	<u>267,677</u>	

See Independent Auditor's Report.

City of Richmond, Kansas

Schedule 2b

SPECIAL PURPOSE FUNDS
LIBRARY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2015
(With comparative actual totals for the prior year ended December 31, 2014)

		<u>2015</u>		
	<u>2014</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
	<u>Actual</u>			<u>Over</u>
				<u>(Under)</u>
Receipts				
Taxes				
Ad valorem property tax	\$ 11,184	\$ 11,384	\$ 12,906	\$ (1,522)
Back tax collections	702	980	0	980
Vehicle taxes	2,066	1,965	1,637	328
RV tax	24	19	33	(14)
Commercial Vehicle tax	<u>0</u>	<u>311</u>	<u>15</u>	<u>296</u>
Total receipts	<u>13,976</u>	<u>14,659</u>	\$ <u>14,591</u>	\$ <u>68</u>
Expenditures				
Culture and recreation				
Appropriation	<u>13,976</u>	<u>14,659</u>	\$ <u>14,659</u>	\$ <u>0</u>
Total expenditures	<u>13,976</u>	<u>14,659</u>	\$ <u>14,659</u>	\$ <u>0</u>
Receipts over (under) expenditures	0	0		
Unencumbered Cash, beginning of year	<u>0</u>	<u>0</u>		
Unencumbered Cash, end of year	\$ <u>0</u>	\$ <u>0</u>		

See Independent Auditor's Report.

City of Richmond, Kansas

Schedule 2c

SPECIAL PURPOSE FUNDS
PARKS AND RECREATION FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015

(With comparative actual totals for the prior year ended December 31, 2014)

		<u>2015</u>		
	<u>2014</u>			<u>Variance</u>
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Over</u>
				<u>(Under)</u>
Receipts				
Taxes				
Ad valorem property tax	\$ 5,154	\$ 3,373	\$ 3,821	\$ (448)
Back tax collections	335	435	0	435
Vehicle taxes	793	905	754	151
RV tax	9	12	15	(3)
Commercial vehicle tax	<u>0</u>	<u>143</u>	<u>7</u>	<u>136</u>
Total receipts	<u>6,291</u>	<u>4,869</u>	\$ <u>4,597</u>	\$ <u>272</u>
Expenditures				
Culture and recreation				
Contractual services	767	0	\$ 2,700	\$ (2,700)
Utilities	273	277	0	277
Buildings and grounds	58	279	0	279
Equipment rental	0	833	0	833
Dues and publications	0	152	0	152
Materials and supplies	78	231	2,000	(1,769)
Appropriation	<u>3,775</u>	<u>4,868</u>	<u>3,974</u>	<u>894</u>
Total expenditures	<u>4,951</u>	<u>6,640</u>	\$ <u>8,674</u>	\$ <u>(2,034)</u>
Receipts over (under) expenditures	1,340	(1,771)		
Unencumbered Cash, beginning of year	<u>6,148</u>	<u>7,488</u>		
Unencumbered Cash, end of year	\$ <u>7,488</u>	\$ <u>5,717</u>		

See Independent Auditor's Report.

City of Richmond, Kansas

Schedule 2d

SPECIAL PURPOSE FUNDS
SPECIAL HIGHWAY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015

(With comparative actual totals for the prior year ended December 31, 2014)

		<u>2015</u>		
	<u>2014</u>			<u>Variance</u>
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Over</u>
				<u>(Under)</u>
Receipts				
Intergovernmental				
State funds	\$ 11,972	\$ 12,069	\$ 11,910	\$ 159
Reimbursement	45	45	0	45
	<u>12,017</u>	<u>12,114</u>	<u>\$ 11,910</u>	<u>\$ 204</u>
Expenditures				
Contractual	1,637	0	\$ 15,000	\$ (15,000)
Materials and supplies	1,655	935	17,169	(16,234)
Capital outlay	<u>1,500</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>4,792</u>	<u>935</u>	<u>\$ 32,169</u>	<u>\$ (31,234)</u>
Receipts over (under) expenditures	7,225	11,179		
Unencumbered Cash, beginning of year	<u>19,448</u>	<u>26,673</u>		
Unencumbered Cash, end of year	\$ <u>26,673</u>	\$ <u>37,852</u>		

See Independent Auditor's Report.

City of Richmond, Kansas

Schedule 2e

**SPECIAL PURPOSE FUNDS
FISHING**

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended December 31, 2015

(With comparative actual totals for the prior year ended December 31, 2014)

		<u>2015</u>		
	<u>2014</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
	<u>Actual</u>			<u>Over</u>
				<u>(Under)</u>
Receipts				
State aid	\$ 1,313	\$ 1,313	\$ 1,300	\$ 13
Total receipts	<u>1,313</u>	<u>1,313</u>	<u>1,300</u>	<u>13</u>
Expenditures				
Contractual	957	832	\$ 850	\$ (18)
Materials and supplies	<u>228</u>	<u>528</u>	<u>1,877</u>	<u>(1,349)</u>
Total expenditures	<u>1,185</u>	<u>1,360</u>	<u>2,727</u>	<u>(1,367)</u>
Receipts over (under) expenditures	128	(47)		
Unencumbered Cash, beginning of year	<u>2,077</u>	<u>2,205</u>		
Unencumbered Cash, end of year	\$ <u>2,205</u>	\$ <u>2,158</u>		

See Independent Auditor's Report.

City of Richmond, Kansas

Schedule 2f

**SPECIAL PURPOSE FUNDS
CAPITAL IMPROVEMENT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS**

For the Year Ended December 31, 2015

(With comparative actual totals for the prior year ended December 31, 2014)

		2015		
	2014			Variance
	Actual	Actual	Budget	Over (Under)
Receipts				
Transfers in	\$ 37,659	\$ 37,659	\$ 37,659	\$ 0
Total receipts	<u>37,659</u>	<u>37,659</u>	<u>37,659</u>	<u>0</u>
Expenditures				
Capital outlay	<u>0</u>	<u>0</u>	\$ 37,659	\$ (37,659)
Total expenditures	<u>0</u>	<u>0</u>	<u>37,659</u>	<u>(37,659)</u>
Receipts over (under) expenditures	37,659	37,659		
Unencumbered Cash, beginning of year	<u>37,659</u>	<u>75,318</u>		
Unencumbered Cash, end of year	\$ <u>75,318</u>	\$ <u>112,977</u>		

See Independent Auditor's Report.

City of Richmond, Kansas

Schedule 2g

CAPITAL PROJECTS FUND
CAPITAL PROJECTS FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS

For the Year Ended December 31, 2015

(With comparative actual totals for the prior year ended December 31, 2014)

	2014	2015
	Actual	Actual
Receipts		
Loan proceeds - KDHE	\$ 127,668	\$ 607,948
Bond Proceeds	0	742,000
USDA Grant	0	395,245
CDBG Grant	0	448,592
	<hr/>	<hr/>
Total receipts	127,668	2,193,785
	<hr/>	<hr/>
Expenditures		
Contractual	0	1,428,437
Engineer	127,207	163,144
Legal and other	0	26,317
Principle	0	735,616
Interest	0	13,263
	<hr/>	<hr/>
Total expenditures	127,207	2,366,777
	<hr/>	<hr/>
Receipts over (under) expenditures	461	(172,992)
	<hr/>	<hr/>
Unencumbered Cash, beginning of year	0	461
	<hr/>	<hr/>
Unencumbered Cash, end of year	\$ 461	\$ (172,531)
	<hr/>	<hr/>

See Independent Auditor's Report.

City of Richmond, Kansas

Schedule 2h

**BUSINESS FUNDS
WATER SYSTEM OPERATING ACCOUNT
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended December 31, 2015

(With comparative actual totals for the prior year ended December 31, 2014)

		2015		Variance Over (Under)	
	2014 Actual	Actual	Budget		
Receipts					
Charges for services - water	\$ 97,560	\$ 90,625	\$ 116,000	\$ (25,375)	
Bulk sales	0	4,005	0	4,005	
Sales Tax	1,153	0	1,500	(1,500)	
Reconnection Fee	0	720	0	720	
Miscellaneous	0	221	500	(279)	
Reimbursements	0	23,967	0	23,967	
	<u>98,713</u>	<u>119,538</u>	<u>\$ 118,000</u>	<u>\$ 1,538</u>	
Expenditures					
Salaries and wages	34,049	31,318	\$ 40,000	\$ (8,682)	
Employee Benefits	5,987	9,323	0	9,323	
Contractual services	15,097	14,841	30,000	(15,159)	
Equip Maintenance & Fuel	1,623	1,195	0	1,195	
Utilities	9,401	6,720	0	6,720	
Chemicals	12,603	12,248	0	12,248	
Postage	237	286	0	286	
Supplies/repairs	290	1,030	20,000	(18,970)	
Lab/Water fee	2,136	0	0	0	
Sales tax	3,077	718	0	718	
Capital outlay	0	0	96,123	(96,123)	
Grant admin fee	0	9,550	0	9,550	
Dues and publications	0	952	0	952	
Permits	0	60	0	60	
	<u>84,500</u>	<u>88,241</u>	<u>\$ 186,123</u>	<u>\$ (97,882)</u>	
Receipts over (under) expenditures	14,213	31,297			
Unencumbered Cash, beginning of year	<u>49,173</u>	<u>63,386</u>			
Unencumbered Cash, end of year	\$ <u>63,386</u>	\$ <u>94,683</u>			

See Independent Auditor's Report.

City of Richmond, Kansas

Schedule 2i

**BUSINESS FUNDS
SEWER SYSTEM OPERATING ACCOUNT
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended December 31, 2015

(With comparative actual totals for the prior year ended December 31, 2014)

		2015		
	2014			Variance
	Actual	Actual	Budget	Over (Under)
Receipts				
Charges for services - sewer	\$ 43,262	\$ 44,065	\$ 38,000	\$ 6,065
Total receipts	<u>43,262</u>	<u>44,065</u>	<u>\$ 38,000</u>	<u>\$ 6,065</u>
Expenditures				
Salaries and wages	20,654	18,968	\$ 30,000	\$ (11,032)
Employee benefits	5,052	7,095	0	7,095
Utilities	4,343	2,808	0	2,808
Contractual services	2,040	4,202	13,500	(9,298)
Repairs/Fuel/Maintenance	2,359	3,008	0	3,008
Supplies	220	75	7,000	(6,925)
Permits	0	185	0	185
Postage	237	260	0	260
Capital outlay	<u>0</u>	<u>0</u>	<u>6,955</u>	<u>(6,955)</u>
Total expenditures	<u>34,905</u>	<u>36,601</u>	<u>\$ 57,455</u>	<u>\$ (20,854)</u>
Receipts over (under) expenditures	8,357	7,464		
Unencumbered Cash, beginning of year	<u>32,955</u>	<u>41,312</u>		
Unencumbered Cash, end of year	\$ <u>41,312</u>	\$ <u>48,776</u>		

See Independent Auditor's Report.

City of Richmond, Kansas

Schedule 2j

RELATED MUNICIPAL ENTITY
LIBRARY
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS

For the Year Ended December 31, 2015

(With comparative actual totals for the prior year ended December 31, 2014)

	2014	2015
	Actual	Actual
Receipts		
City appropriation	\$ 13,986	\$ 14,659
NEKLS grant	10,710	11,727
Township	0	200
E-rate	1,141	1,420
State aid	166	154
Summer Reading	375	225
Donations	236	1,851
Fines / Copies	384	590
Books sales	0	22
Fundraising	6,069	3,113
Miscellaneous	757	230
Reimbursements	6	430
Grants	0	3,974
Interest	24	1
Other	1,223	0
	<hr/>	<hr/>
Total receipts	35,077	38,596
	<hr/>	<hr/>
Expenditures		
Salaries and wages	16,450	19,858
Payroll Taxes	5,040	1,588
Automation	450	450
Books	2,787	2,936
Movies/music	880	1,011
Periodicals	75	91
E-books	50	113
Software/games	25	0
Utilities	1,547	1,420
Internet	1,786	1,826
Repair/Maintenance	216	0
Insurance	801	772
Computers/office	635	92
Supplies	450	410
Continuing education	554	565
Conferences/workshops	1,134	947
Summer reading	200	209
Story hour/craft days	137	78
Miscellaneous	359	474
Fundraisers/matching	963	339
Postage courier	175	315
Employee/trusts	235	235
Donations/memorials	0	1,388
Grants/other	1,385	2,518
	<hr/>	<hr/>
Total expenditures	\$ 36,334	\$ 37,635
	<hr/>	<hr/>

See Independent Auditor's Report.

City of Richmond, Kansas

Schedule 2i

**RELATED MUNICIPAL ENTITY
LIBRARY
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS**

For the Year Ended December 31, 2015

(With comparative actual totals for the prior year ended December 31, 2014)

	2014	2015
	Actual	Actual
Receipts over (under) expenditures	\$ (1,257)	\$ 961
Unencumbered Cash, beginning of year	<u>3,615</u>	<u>2,358</u>
Unencumbered Cash, end of year	\$ <u><u>2,358</u></u>	\$ <u><u>3,319</u></u>

See Independent Auditor's Report.

City of Richmond, KansasSchedule 2k

RELATED MUNICIPAL ENTITY
LIBRARY-CAPITAL IMPROVEMENT
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS

For the Year Ended December 31, 2015

(With comparative actual totals for the prior year ended December 31, 2014)

	<u>2014</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>
Receipts		
Interest	\$ 10	\$ 1
Miscellaneous	<u>0</u>	<u>25</u>
Total receipts	<u>10</u>	<u>26</u>
Expenditures	<u>0</u>	<u>0</u>
Receipts over (under) expenditures	10	26
Unencumbered Cash, beginning of year	<u>328</u>	<u>338</u>
Unencumbered Cash, end of year	\$ <u><u>338</u></u>	\$ <u><u>364</u></u>

See Independent Auditor's Report.

City of Richmond, Kansas

Schedule 3

**AGENCY FUND
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES
REGULATORY BASIS
For the Year Ended December 31, 2015**

	<u>Balance Beginning of Year</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance End of Year</u>
Payroll clearing	\$ 0	\$ 136,284	\$ 136,284	\$ 0
Sales tax clearing	0	807	597	210
Penalty clearing	0	5,635	5,635	0
Water Deposits	<u>3,287</u>	<u>3,220</u>	<u>2,316</u>	<u>4,192</u>
Total	\$ <u>3,287</u>	\$ <u>145,946</u>	\$ <u>144,832</u>	\$ <u>4,402</u>

See Independent Auditor's Report.

City of Richmond, Kansas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2015

Federal Grant Pass Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Receipts	Expenditures
<u>U.S. Department of Commerce</u>				
<u>Pass Through Kansas Department of Commerce</u>				
Community development block grant	14.228	#14-PF-008	\$ 448,592	\$ 498,000
<u>U.S. Department of Agriculture</u>				
Water & Waste Disposal Systems for Rural Communities	10.760	N/A	<u>395,245</u>	<u>518,829</u>
TOTAL RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS			\$ <u>843,837</u>	\$ <u>1,016,829</u>

See Independent Auditor's Report.

City of Richmond, Kansas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2015

NOTE A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget *OMB Compliance Supplement*. Because the Schedule presents only a select portion of the operations of the City, it is not intended to and does not present the summary of receipts, expenditures and unencumbered cash of the City.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule of Expenditures of Federal awards are reported on the regulatory basis of accounting as described in the *Kansas Municipal Audit and Accounting Guide (KMAAG)*.

NOTE C. SUBRECIPIENTS

The City did not provide federal awards to any subrecipients for the year ended December 31, 2015.

SPECIAL REPORTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

City Council
Richmond, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the summary statement of receipts, expenditures and unencumbered cash of City of Richmond, Kansas as of and for the year ended December 31, 2015, and the related notes to the financial statement, which collectively comprise City of Richmond's regulatory basis financial statements, and have issued our report thereon dated July 14, 2016. The City prepares its financial statement on a regulatory basis of accounting which demonstrates compliance with the *Kansas Municipal Audit and Accounting Guide*, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered City of Richmond's internal control over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of City of Richmond's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Richmond's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that material misstatements of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

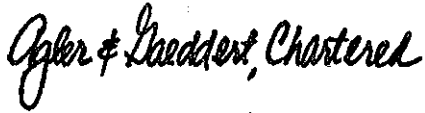
Our consideration of the internal control was for the limited purpose describe in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Richmond's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Richmond's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Agler & Gaeddert, Chartered
Ottawa, Kansas
July 14, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

City Council
City of Richmond, Kansas

Report on Compliance for Each Major Federal Program

We have audited City of Richmond, Kansas compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Richmond's major federal programs for the year ended December 31, 2015. City of Richmond's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Richmond's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and The Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Richmond's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on City of Richmond's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Richmond, Kansas complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report Internal Control over Compliance

Management of City of Richmond is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Richmond's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Richmond's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based upon requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

Agler & Gaeddert, Chartered

Agler & Gaeddert, Chartered
Ottawa, Kansas
July 14, 2016

City of Richmond, Kansas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2015

SUMMARY OF AUDITOR'S RESULTS

Financial Statement

Type of auditor's report issued: Modified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified not considered to be material weaknesses: None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified not considered to be material weaknesses: None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with OMB Compliance Supplement? No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	<u>Amount</u>
14.288	Community Development Block Grant	\$ 498,000
10.760	Water & Waste Disposal Systems for Rural Communities	518,829

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as a low-risk auditee? No